

FOREIGN POLICY REPORTS

Japan and Manchoukuo

*June 22, 1932
Vol. VIII, No. 8*

25¢
a copy

Published Fortnightly
by the

\$5.00
a year

FOREIGN POLICY ASSOCIATION
INCORPORATED

**EIGHTEEN EAST FORTY-FIRST STREET
NEW YORK, N.Y.**

JAPAN AND MANCHOUKUO

by

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with the aid of the Research Staff of the Foreign Policy Association

1 1 1

ON March 1, 1932, five months after the initial move of the Japanese military in September 1931, the independence of a new Manchurian-Mongolian state, since named Manchoukuo (Land of Manchuria), was formally proclaimed at Mukden; and on March 9, the former Manchu boy-Emperor Hsuan Tung, commonly known by his personal name of Pu Yi, was installed at Changchun as dictator of the new régime.¹ The establishment of Manchoukuo with the aid of Japanese arms has made possible a connected survey of Japan's military, political, and economic activities in Manchuria during the six months' period covering the formation of the new state.

UNDERLYING CAUSES OF THE CONFLICT

Manchuria offers similar advantages to China and Japan, and satisfies corresponding needs. China looks to Manchuria to minimize the effects of over-population by furnishing a direct outlet for immigration, a granary for its surplus millions, and a source of minerals for its future industrial development. Although comparatively few Japanese have migrated to Manchuria, increased industrialization within Japan offers an alternative means of supporting a larger population. For this purpose Manchuria affords Japan a source of raw materials, both mineral and agricultural, a market for its manufactured goods, and a profitable field of capital investment. Strategically Manchuria dominates north China, and is thus vital to China's security, while on the other hand it is regarded as Japan's first line of defense against Russia.

The strength of China's position in Manchuria has rested on its superiority in numbers and its recognized sovereignty. Thus

fortified, the Manchurian administration has sought to overcome foreign political and economic privileges that threatened to reduce China's sovereignty to a purely nominal status. Within recent years especially, the Mukden authorities have recognized that mines, railways, banks and public utilities would have to be substantially Chinese-owned and operated in order to invest Chinese sovereignty over Manchuria with reality. Since 1925, at first under Chang Tso-lin, and later under his son, Chang Hsueh-liang, a policy of competitive economic development, designed to build up Chinese institutions and to break down foreign monopolies, has been pursued by the Manchurian administration. An ambitious program of railway construction, which was beginning to offer effective competition to the Japanese-owned South Manchuria Railway, was at the forefront of this development.² The whole process was viewed with the greater concern by the Japanese military clique because of the increasingly intimate relations between Manchuria and China proper, established as a result of Marshal Chang Hsueh-liang's rapprochement with the Nanking government.

Japanese policy in Manchuria, as elsewhere in China, has been governed by the political situation in Japan. The Manchurian outbreak in September 1931 reflected a sharp political crisis within Japan, in which Manchurian policy was but one of a number of issues. In the decade since the fiasco of the Siberian intervention, which discredited the Japanese military, political control in Japan had been wielded by party leaders in alliance with the great financial and industrial interests. During this decade, parliamentary government had made great strides, especially in establishing the extra-constitutional principle that the leader of the majority party in the lower house of the Diet should be selected as Premier. Had this process continued, the War and Navy Ministers, constitutionally responsible only to the Emperor, would eventually have been subordinated to the head of the Cabinet. Foreign policy has

1. Hsuan Tung, last of the Manchu emperors, ascended the throne on November 14, 1908, at the age of three years. He reigned at Peking under the regency of his father, Prince Chun, until the Revolution, abdicating on February 12, 1912. A monarchist coup d'état, led by General Chang Hsun, re-established him as Emperor from July 1 to July 12, 1917, after which he was again deposed. During his years of retirement until 1924 Hsuan Tung was a state pensioner, permitted by agreement to keep his imperial title and to hold court, in company with a few Manchu retainers, within the imperial palace grounds at Peking. In November 1924, refusing to accept the onerous terms of a new imperial settlement offered by General Feng Yu-hsiang, Hsuan Tung took refuge in the Japanese Legation at Peking, from which he went to Tientsin. There he resided in the Japanese concession until November 1931, when he was reported to have gone to Dairen.

2. Cf. T. A. Bisson, "Railway Rivalries in Manchuria between China and Japan," *Foreign Policy Reports*, Vol. VIII, No. 3, April 13, 1932.

FOREIGN POLICY REPORTS, VOL. VIII, No. 8, JUNE 22, 1932

Published bi-weekly by the FOREIGN POLICY ASSOCIATION, Incorporated, 18 East 41st Street, New York, N. Y., U. S. A. JAMES G. McDONALD, *Chairman*; RAYMOND LESLIE BUELL, *Research Director and Editor*; WILLIAM T. STONE, *Washington Representative*; HELEN TERRY, *Assistant Editor*; ELIZABETH BATTERHAM, *Cartographer*. *Research Associates*: T. A. BISSON, VERA MICHELES DEAN, MABEL S. INGALLS, HELEN H. MOORHEAD, ONA K. D. RINGWOOD, MAXWELL S. STEWART, M. S. WERTHEIMER, JOHN C. DEWILDE, WILBUR L. WILLIAMS. Subscription Rates: \$5.00 a year; to F. P. A. members \$3.00; single copies 25 cents. Entered as second-class matter on March 31, 1931 at the post office at New York, N. Y., under the Act of March 3, 1879.

also been liberalized during this period, in order to allow for a continued expansion of international trade. A conciliatory attitude was adopted toward China, Russia and the West, and vigorous cooperation was accorded to the League of Nations. Disarmament agreements were negotiated at Washington in 1922 and at London in 1930, and the Kellogg Pact was signed in 1928. Active opposition to these measures was confined principally to the military and to some sections of the aristocracy. The economic depression, however, brought them new allies. The lower middle class was hard hit, and the drop in agricultural commodity prices brought the farmers to the verge of bankruptcy. Economic discontent found its outlet in attacks on the politicians and financiers, who were accused of furthering their own selfish interests to the neglect of the country's welfare. The undoubted existence of widespread political corruption, arising from the intimate connections between government and big business, gave point to these criticisms. So-called Fascist societies multiplied in an attempt to give organized form to the growing popular revolt. The military and naval leaders, alive to the sentiments of the men in the ranks—for whose difficulties they felt a paternal sympathy—entertained similarly hostile feelings toward the politicians and the big bourgeoisie. Their relatively disinterested position, aloof from both politics and business, enabled them to come forward as champions and protectors of the masses against their alleged despoilers.

The Manchurian problem summed up in striking form the political contradictions within Japan. Baron Shidehara's conciliatory policy toward the Mukden authorities, and his reliance upon gradual Japanese economic penetration, ran directly counter to the interests of the various opposition groups in Japan. The military felt that a policy of conciliation encouraged Chinese repudiation of the "unequal treaties," and made no provision against the Soviet Union, which was daily becoming more powerful. They upheld a "positive" policy, which, as applied to China in the past, had always been synonymous with intervention. Equally sharp criticisms were leveled against the economic results of the liberal Manchurian policy. It was pointed out that the benefits derived from Manchuria were appropriated in large part by the great Japanese financial and trading interests. These interests controlled the South Manchuria Railway Company, the presidency of which was a political plum, reallocated with each change of government. Manchurian policy, the critics declared, had thus been subordinated to the world-wide commercial interests of the Mitsui and Mitsubishi banking houses, which were held to be basically responsible for Japan's interna-

tional commitments with respect to the Nine-Power Treaty, the Kellogg Pact, and the League Covenant. This process, it was argued, should be reversed. Manchuria should become the cornerstone of Japanese foreign policy, and should be knit together with Japan into an economic whole. The intensive development of Manchurian resources would absorb the unemployed middle-class intelligentsia, while government-subsidized mass colonization projects would relieve the farmers. Thus oriented toward Manchuria, Japan would become economically and militarily self-sufficient and, with a lessening dependence on world trade, would be enabled to dispense with embarrassing international commitments.

IMMEDIATE CAUSES OF THE OUTBREAK

During the years 1930 and 1931, the critical nature of these underlying developments was evidenced by a growing spirit of hostility between Chinese and Japanese in Manchuria. The breaking-point was reached as a result of two incidents that took place in the summer of 1931. The first of these originated at Wanpaoshan, a small village near Changchun, where a Chinese mob attacked a Korean irrigation project on July 1.³ On April 16, a Chinese middleman had leased from twelve Chinese farmers a plot of 720 acres of land, which he later sub-leased to nine Koreans for purposes of rice cultivation.⁴ A group of several hundred Koreans thereupon proceeded to dam up the Itung River, eight miles distant, and to dig an irrigation canal from the river to the leased plot of land. The canal cut through the fields of over forty Chinese farmers, many of whom were not parties to the original leasing agreement. The Chinese also contended that the dam obstructed navigation and placed some 6,000 acres of cultivated land in danger of being flooded. On July 1, therefore, a mob of some 500 Chinese farmers, assisted apparently by a number of Chinese policemen, filled up the canal for a distance of two-thirds of a mile. A detachment of some 36 Japanese police, sent out at once from Changchun, was re-enforced on July 3 by several men with a light machine gun.⁵ This force exchanged

3. For the Chinese statement on the Wanpaoshan affair, cf. *China Weekly Review*, July 18, 1931, p. 252-253; for the Japanese version, cf. *Japan Weekly Chronicle*, July 23, 1931, p. 100. This incident involved a number of the basic Manchurian issues, including protection for the Korean minority, land leases to Japanese subjects, extent of Japan's police rights, and Chinese opposition to Japanese penetration by means of Korean immigrants. For an able discussion of these general issues in relation to the Korean minority problem, cf. Owen Lattimore, *Manchuria: Cradle of Conflict* (New York, Macmillan, 1932), p. 236-243.

4. The basic right of Japanese subjects to lease land in South Manchuria was granted in the 1915 treaty, signed as a sequel to the Twenty-one Demands, but has customarily been voided in practice by Chinese officials. This right is also claimed for Japan's Korean subjects.

5. *Osaka Mainichi* (English edition), July 5, 1931. Japanese police forces have no treaty right to operate outside the South Manchuria Railway areas, but they are habitually used in cases such as this to protect Japanese subjects throughout Manchuria. (Cf. T. A. Bisson, "Basic Treaty Issues in Manchuria between Japan and China," *Foreign Policy Reports*, Vol. VII, No. 21, December 23, 1931, p. 392-393.)

shots with the Chinese; no fatalities seem to have occurred, however, although at least one Chinese policeman was wounded. The disturbances quieted down after July 3, but the Koreans completed their irrigation project under the protection of the Japanese police.

Greatly exaggerated reports of this affair, alleging that a wholesale massacre of Koreans had taken place at Wanpaoshan, found their way into the Korean newspapers. Widespread anti-Chinese riots, lasting from July 3 to 10, at once developed in a number of Korean cities. In the course of the disorders, according to official Japanese estimates, 103 Chinese were killed, 75 were seriously injured, and 46 slightly hurt.⁶ Thousands of Chinese residents fled across the border into Manchuria, and hundreds of Chinese shops and residences were looted or destroyed. The inactivity of the ordinarily efficient Japanese police and the failure to call out the military led to charges that the riots were fomented by members of the Japanese military clique.⁷ The whole affair at once became a diplomatic issue of prime importance. Dr. C. T. Wang, the Chinese Foreign Minister, demanded that Japan accept full responsibility for the Korean riots and satisfy Chinese losses by the payment of an indemnity. In reply, Baron Shidehara tendered the Japanese government's regrets for the riots and voluntarily offered compensation for the relief of the Chinese victims, but refused to accept responsibility for indemnification. Diplomatic negotiations dragged on through August without result. It was at this time that an anti-Japanese boycott movement began to develop in China.

In the middle of August, the Wanpaoshan affair was eclipsed by a second incident—the execution of Captain Nakamura and three companions by Chinese soldiers in the interior of Manchuria. This event, which is believed to have occurred late in June, was not immediately discovered, and news of it

was for a time suppressed by the Japanese Foreign Office, so that the first public report was not issued until August 17.⁸ According to this report, Captain Nakamura had secured a Chinese passport at Harbin, but had concealed his military status, representing himself as an educator engaged in geographical study. Early in June the party had set out for the interior. About June 27 they were arrested near Taonan by a body of Chinese troops, fully investigated, and then executed. Later reports stated that Captain Nakamura was on military duty at the time, and carried with him quantities of heroin and large sums of money, giving rise to allegations that his aim was to incite disaffection among the Mongolian tribes.⁹

The details of this case were made public by the Japanese military authorities over the strenuous protests of the Foreign Office. Furthermore, on issuing the statement, the military authorities definitely rejected the suggestion of the Foreign Office that Captain Nakamura's military status be kept secret in view of the fact that his passport represented him as an educator.¹⁰ From this time on, the Minseito government's struggle against the positive measures advocated by the military with regard to Manchuria, which had been carried on more or less under cover for some months, came out into the open. Every effort was made by Baron Shidehara to negotiate a settlement of the Nakamura affair.^{10a} This attempt was rendered more difficult when an investigating body, sent out by the Mukden authorities, reported early in September that it had found no evidence of the murders. The Japanese military utilized the opportunity thus presented to inflame public opinion and to dictate the government's policy under threat of independent punitive action in Manchuria.¹¹

During the second week of September,

8. *Japan Weekly Chronicle*, August 27, 1931, p. 253; later supplemented in the *Osaka Mainichi* (English edition), November 1, 1931.

9. *Japan Weekly Chronicle*, August 27, 1931, p. 248; *Osaka Mainichi* (English edition), November 1, 1931; *China Weekly Review*, October 17, 1931, p. 264-265; November 28, 1931, p. 474-475.

10. *Japan Weekly Chronicle*, August 27, 1931, p. 253.

10a. On September 8, however, it was reported that the War and Foreign Offices were agreed on the necessity of retaliatory measures if the Japanese demands were rejected. (*Osaka Mainichi*, English edition, September 8, 1931.)

6. Figures reported to the Japanese Cabinet by Mr. Hata, Minister of Overseas Affairs. (*Japan Weekly Chronicle*, July 23, 1931, p. 101.) The official Chinese estimate, reported by Wang Yung-pao, former Chinese Minister to Japan, as a result of personal investigation in Korea, gave 119 dead, approximately 370 injured, and 82 missing. Mr. Wang set the property damage at nearly ¥3,000,000 (\$1,500,000). (*The Week in China*, August 29, 1931, p. 1315.)

7. Cf. especially the *Japan Weekly Chronicle*, July 16, 1931, in which a series of editorials pointed out: (1) that on the morning of July 4 the Chinese Consul-General at Seoul had officially requested the Japanese authorities to afford proper protection to Chinese residents in view of the likelihood that the minor riots of July 3 would spread; (2) that much more serious riots occurred on July 4, after which adequate police measures still failed to be taken; (3) that at Pyenyang, where the rioting was fiercest, although the police were reinforced and partly supplied with fire-arms, not a single shot was fired at the mobs; (4) that on July 6, at the height of the rioting in Pyenyang, part of the 77th Regiment was moved from that city into Manchuria for the protection of Koreans, who, however, were subjected to practically no retaliation by Manchurian Chinese; (5) that the murders at Pyenyang were actually committed by a group of some fifty non-local Korean ringleaders, who acted under detailed instructions, were supplied with accurate maps of the city on which all Chinese residences were marked, and were ordered (quoting from a *Nippon Dempo* dispatch) "to carry on in the presence of police, consider the position in the face of gendarmes, but retreat before troops."

11. At a staff meeting of the War Department on August 19, the "mild and lukewarm attitude of the Foreign Office came in for hostile criticism, and the War Minister was urged by many to take the necessary steps to vindicate the strong attitude of the army. . . ." (*Japan Weekly Chronicle*, August 27, 1931, p. 254.) On September 4 the General Staff served notice on the Foreign Office that, should the diplomatic negotiations over the Nakamura case end in failure, the army leaders had decided to take a "certain action." (*Osaka Mainichi*, English edition, September 6, 1931.) On September 7 military planes flooded Kanazawa and neighboring cities with leaflets issued by the headquarters of the Ninth Army Division. Printed in red, white and black, they showed a stealthy claw-like hand, typifying China, extended over a Japanese flag, on which was written an itemized list of the thirteen Japanese rights in Manchuria. Above the flag was the slogan: "Fellow Countrymen, Awaken for National Defense!" Below was an outline map of Manchuria, on which were listed the amount of Japanese investments in that area and the losses of Japanese lives and money in the Russo-Japanese War. (*New York Times*, September 9, 1931; *Japan Weekly Chronicle*, September 17, 1931, p. 349-350.)

which witnessed the military authorities of Japan carrying on negotiations in Manchuria side by side with the civil authorities, matters rapidly came to a head. On September 10 Colonel Dohihara, chief of the Kwantung garrison's special service corps, reported to General Kanaya, Chief of Staff, regarding "the concrete plan for a measure to be taken against China which is being upheld by the leading men of the Kwantung troops."¹² The action to be taken was thereupon carefully worked out by the General Staff and the War Department, and instructions were wired to General Honjo, commander of the Kwantung garrison.¹³ On September 14 Colonel Dohihara left Tokyo for Mukden, with additional instructions from the military authorities.¹⁴ General Honjo himself proceeded to Mukden on September 15, and immediately after his arrival issued mobilization orders to all

Japanese troops in that area "in the same manner as at a time of actual warfare."¹⁵

Meanwhile, Baron Shidehara's negotiations with the Chinese authorities at Mukden, following the dispatch of a second Chinese investigating commission, were approaching a successful conclusion. On September 16 the Japanese Consul-General at Mukden was informed that Lt.-Colonel Kwan Yu-heng, commander of the Third Corps of the Chinese Militia, alleged to have been responsible for the Nakamura executions, was under detention at the headquarters of the Mukden gendarmerie, and that his court-martial had been decided upon.¹⁶ News of this event, laying the basis for a settlement satisfactory to Japan, was published in Japanese newspapers on September 17.¹⁷ On the following day, Japanese military operations were begun at Mukden.

MILITARY OCCUPATION OF MANCHURIA

Japan's military occupation of Manchuria was accomplished in four well-defined stages. In the first stage, which began on September 18, 1931, the Japanese military took over all important centers in South Manchuria. Toward the end of October the advance on Tsitsihar was initiated, resulting in the capture of that city on November 18. In December the attack was shifted to Chinchow, which was taken on January 2, 1932. The final stage began late in January, with the dispatch of an expeditionary force to Harbin, which was occupied on February 5. Effective control over the successive advances has rested with the military commanders in the field, subject only to the War Office, which enforced acceptance of its decisions by the civilian elements of the government.

OCCUPATION OF SOUTH MANCHURIA

On September 19 and 20, the chief cities along the South Manchuria Railway, including Mukden, Changchun, Antung, Yingkou and Fushun, were simultaneously taken over by the Japanese military. The city of Kirin was occupied on September 21. These operations placed the whole of South Manchuria under complete Japanese control.

The initial cause of this military action is ascribed by the Japanese to the destruction of a section of the South Manchuria Railway tracks just north of Mukden in the neighborhood of the Chinese barracks at Peitaying, where the first clash occurred on the night of September 18. The official Japanese statement concerning this incident declares that at 10:30 on the night of September 18 a detachment of Japanese railway guards discovered that some 400 Chinese

soldiers from the Peitaying barracks had just blown up a section of the South Manchuria Railway line.¹⁸ The ensuing exchange of shots resulted in a clash between larger bodies of the combatants, which led to the summoning of Japanese reinforcements, the occupation of the Peitaying barracks early on September 19, and the taking over of Mukden later on the same day. As news of this action spread through Manchuria, the South Manchuria Railway guards were obliged to occupy other centers in order to protect Japanese residents and railway property.¹⁹

The Chinese appeal to the League Council, submitted by Dr. Alfred Sze on September 21, stated that regular Japanese troops had opened rifle and artillery fire upon the Chinese forces at Mukden "without provocation of any kind."²⁰ The Chinese further asserted that the smoothness and swiftness with which the Japanese operations were simultaneously carried out in widely separated areas indicated premeditation.²¹ A number of neutral observers support this charge.²²

At Tokyo on September 19, following an emergency Cabinet meeting, the Foreign Office declared that every effort would be made to localize the situation and that the Japanese troops would be withdrawn as soon as the panic in Mukden subsided.²³ On September 21, however, a detachment of Japa-

18. The damage to the railway line was so slight that traffic was resumed before the morning of September 19. (*China Monthly Trade Report*, U. S. Department of Commerce, October 1, 1931, p. 37.) Foreign military observers noted that the torn-up rail later displayed by the Japanese differed in age and texture from the original track.

19. Statement issued by the Japanese Consulate, New York.

20. League of Nations, *Official Journal*, Minutes of the Sixty-Fifth Session of the Council, p. 2453.

21. Statement communicated by the Chinese delegation in conformity with Article 15, Paragraph 2, of the Covenant of the League of Nations, February 22, 1932, p. 8.

22. Cf. statement by Sherwood Eddy, League of Nations, *Official Journal*, cited, p. 2318; Chester Rowell, *Asia*, April 1932; Upton Close, *New York Times*, October 11, 1931.

23. *New York Times*, September 20, 1931.

12. *Osaka Mainichi* (English edition), September 12, 1931.

13. *Japan Weekly Chronicle*, September 17, 1931, p. 351.

14. *Ibid.*, September 24, 1931, p. 373.

15. *Ibid.*, p. 381.

16. *Ibid.*, p. 381.

17. *Osaka Mainichi*, September 17, 1931.

nese troops from Changchun occupied the city of Kirin. On the same day, after a seven hours' Cabinet debate, Baron Shidehara and Finance Minister Inouye prevailed on General Minami, Minister of War, to defer his urgent recommendation that reinforcements from Japan should be sent at once to Manchuria. Half an hour after the Cabinet rose, nevertheless, General Minami informed Baron Shidehara that the Korean commander, acting on his own discretion, had ordered a mixed brigade to proceed to Mukden, and the Premier "bowed to the *fait accompli*."²⁴ The conflict which was taking place in the Cabinet is apparent in the first official statement of the Japanese government of September 24, transmitted to the League Council by Mr. Yoshizawa on September 25, which read in part as follows:

"The Japanese Government, at a special Cabinet meeting of September 19th, took the decision that all possible efforts should be made to prevent an aggravation of the situation, and instructions to that effect were given to the commander of the Manchurian garrison. It is true that a detachment was despatched from Changchun to Kirin on September 21st, but it was not with a view to military occupation. It was sent only for the purpose of removing menace to the South Manchuria Railway on the flank. As soon as that object has been attained, our detachment will be entirely withdrawn. It may be added that, while a mixed brigade of four thousand men was sent from Korea to join the Manchurian garrison, the total number of men in garrison at present still remains within the limit set by treaty, and that fact cannot therefore be regarded as having in any way added to the seriousness of the international situation."²⁵

The statement of September 24 also declared that the Japanese troops had been "mostly withdrawn within the railway zone," and in presenting it to the League Council on September 25 Mr. Yoshizawa added that the Japanese government intended "to continue withdrawing troops as soon as tranquillity has been sufficiently restored to enable it to do so without danger to its nationals."²⁶ On September 28 Mr. Yoshizawa further stated to the Council that "the withdrawal of our troops continues" and that Japanese forces were stationed outside the railway zone only at Mukden, Kirin, Chengchiatun, and Hsinmintun.²⁷ On the basis of these assurances, noted in the League Council's resolution of September 30, the Council adjourned for two weeks. Even while the assurances were being given, however, detachments of Japanese troops were taking over additional outlying cities in Manchuria. On September 24 the occupation of Tunhua was reported, with the comment that despite the withdrawal policy of the Foreign Office the military were "in charge of operations" and intended "to supervise the situation in

their own way."²⁸ On September 26 a company of Japanese soldiers proceeded to Taonan by armored train on the order of "a local commander, in face of the orders from the Cabinet here that Japanese troops should not go farther."²⁹ The bombing of Chinchow, where Marshal Chang Hsueh-liang was attempting to form a provisional Manchurian government, occurred on October 8. At a meeting of the Cabinet, held on October 9, it was decided that "the air raid [at Chinchow] was not illegal and that the action of the Japanese troops was in order."³⁰

THE ADVANCE ON TSITSIHAR

In mid-October, shortly after the bombing of Chinchow, an independence movement led by General Chang Hai-peng developed in Heilungkiang province. Despite reported Japanese aid, the movement was successfully crushed by General Ma Chan-shan, acting head of the provincial government at Tsitsihar, after a severe struggle south of the Nonni River. While these events were taking place in north Manchuria, the second Manchurian session of the League Council had convened on October 13 at Geneva. On October 24 the Council adopted a resolution, Japan alone dissenting, calling for the immediate initiation of a progressive Japanese evacuation to be completed by November 16.³¹

A strong force of Japanese troops was dispatched by General Honjo to Taonan on October 26, followed on the next day by an ultimatum demanding the repair within a week's time of the Nonni River bridge, allegedly destroyed by General Ma. On November 4 a South Manchuria Railway construction crew, under the protection of Japanese troops, began repairs on the Nonni bridge. At Tokyo, on the same day, the government categorically denied reports "that the Japanese intend to occupy Tsitsihar."³² On November 5, fighting was reported between the Japanese troops and the forces of General Ma, and Japanese reinforcements were being sent into the area. It was stated that "the sending of troops to that region occasioned a prolonged debate between the War Office and the Foreign Office and was sanctioned only after a definite understanding that the troops would not go beyond [the] Nonni."³³ The initial conflict ended in a stalemate on November 8, with the Japanese forces withdrawing to the south bank of the Nonni River. On November 9 General Ma rejected a second ultimatum from General Honjo, demanding his resignation as governor of Heilungkiang within twelve hours.³⁴ The decisive phase of the fighting

24. *Ibid.*, September 22, 1931; also *Japan Weekly Chronicle*, October 1, 1931, p. 405-406, 407.

25. League of Nations, *Official Journal*, cited, p. 2280.

26. *Ibid.*, p. 2281.

27. *Ibid.*, p. 2289.

28. *New York Herald Tribune*, September 24, 1931.

29. *Ibid.*, September 27, 1931.

30. *Japan Weekly Chronicle*, October 15, 1931, p. 475.

31. League of Nations, *Official Journal*, cited, p. 2340-2341, 2358.

32. *New York Times*, November 4, 1931.

33. *Ibid.*, November 5, 1931.

34. *Ibid.*, November 10, 1931.

began on November 15, at the time when the League Council was assembling at Paris in pursuance of its resolution requiring Japanese withdrawal by November 16. General Ma's forces were defeated, retreating northward toward Koshan, and the Japanese troops entered Tsitsihar on November 18.^{34a} As a result of the month's campaign, the railway line from Ssuningkai to Tsitsihar and the Heilungkiang provincial government were brought under Japanese control.

THE TAKING OF CHINCHOW

Immediately following the capture of Tsitsihar, the Japanese military headquarters at Mukden gave notice that Marshal Chang Hsueh-liang's troops would be required to evacuate Chinchow.³⁵ On November 27 a force of some 10,000 Japanese troops left Mukden, inaugurating a large-scale offensive against Chinchow. On the next day, the advance was abruptly halted and the troops recalled to Mukden. Reports from Tokyo said that Baron Shidehara had secured Imperial prohibition of the advance. During this period, also, severe external pressure was brought to bear on the Japanese government. At the instance of the League Council, and in addition to League pleas, the various powers made separate representations at Nanking and Tokyo, and British, French and American military observers were dispatched to Chinchow, arriving November 24.³⁷

At this time, the civilian authorities at Tokyo were seeking to reach a political agreement with Marshal Chang Hsueh-liang on the basis of a neutralization of the Chinchow area, a proposal which was under consideration by the League Council at Paris. The ultimate failure of this attempt on the part of Baron Shidehara to secure the peaceful withdrawal of Marshal Chang's troops from Chinchow left the field open to action by the military, and was in part responsible for the downfall of the Minseito government.³⁸ On December 10 the League Council unanimously adopted a resolution providing for a five-power Manchurian commission of inquiry, but only after Mr. Yoshizawa had reserved the right of Japan's military forces to take such action as might be rendered

necessary for the protection of Japanese life and property against bandits.³⁹ This reservation, enforced by the military group, represented a further defeat for Baron Shidehara.⁴⁰ The Minseito government resigned on December 11, and was succeeded by a Seiyukai government, with Ki Inukai as Premier. General Sadao Araki, an outstanding leader of the Fascist militarists, became Minister of War. On December 19 the new Cabinet authorized General Honjo to demand the withdrawal of the Chinese forces at Chinchow beyond the Great Wall.⁴¹ A sweeping Japanese offensive against bandits and irregulars, launched from Mukden on December 21, was soon turned toward Chinchow, which was entered on January 2, 1932. The territory between Chinchow and Shanhaikuan was rapidly cleared of Chinese troops, thus extending Japanese control to the Great Wall.

THE CAPTURE OF HARBIN

Early in January, following the capture of Chinchow, hostilities developed in north-central Manchuria between General Hsi Chia, new "independent" governor of Kirin province, and General Ting Chao, loyalist Chinese leader at Harbin. On January 12 the Soviet Ambassador at Tokyo expressed his concern over these developments to the Japanese government, which reiterated its "previous statement that Japan would not send troops to Harbin . . . unless the lives and property of Japanese were endangered."⁴² On January 28, following the defeat of General Hsi Chia and the reported looting of Japanese property at Harbin, a detachment of Japanese troops was dispatched from Changchun to the threatened area.⁴³ In the course of a week's severe fighting, the Japanese troops, with the aid of heavy reinforcements, routed General Ting's forces and entered Harbin on February 5. Japan's military occupation of Manchuria was now complete. Local Chinese revolts against the new régime continued, however, especially in north Manchuria, culminating in a widespread rebellion in the spring of 1932, headed by General Ma Chan-shan, after repudiating his connection with the independence movement.

EVOLUTION OF THE NEW STATE

As Japanese military control was extended over Manchuria, the former administration of Marshal Chang Hsueh-liang was replaced in the various local and provincial centers

by new Chinese governments, independent of Nanking but dominated by Japanese advisers.⁴⁴ The initial military operations in September brought the two provincial capi-

34a. Soon afterward General Ma attached himself to the new régime.

35. *Ibid.*, November 21, 1931.

37. *New York Times*, November 25, 1931; cf. also "Conditions in Manchuria," Senate Document No. 55, 72nd Congress, 1st Session, p. 42. As a result of representations to Tokyo on November 24, the American government received assurances that "there would be no movement of Japanese troops in the direction of Chinchow"; and on November 27 Secretary Stimson wrote that he was "quite unable to see how there can be any serious danger . . . of a clash between Chinese and Japanese troops unless the latter troops should fail to observe the orders which your excellency assured me had been given."

38. *New York Times*, December 6, 1931; cf. also Kuratara Kiroso, "Japan's Militarist and Fascist Revolt," *The Christian Century*, April 20, 1932, p. 507.

39. League of Nations, *Official Journal*, cited, p. 2374-2378.

40. *New York Times*, November 27, 1931.

41. *New York Herald Tribune*, December 20, 1931.

42. *Ibid.*, January 13, 1932.

43. *Ibid.*, January 28, 1932.

44. An abortive attempt to set up a united Manchurian state independent of Nanking, to be called the Chungho Republic, was made by the Japanese military in late September 1931. (*Osaka Mainichi*, English edition, September 30, October 1 and 2, 1931.) In connection with this attempt, the policy of the

tals of Mukden and Kirin under Japanese sway, and independent Chinese administrations were organized almost immediately in these cities. At the same time, so-called self-governing Chinese committees were organized under Japanese auspices in practically all the local cities of South Manchuria.⁴⁸ In November, when Tsitsihar—the third provincial capital—was occupied, an independent Chinese government was also instituted for Heilungkiang province. These new governments were in each case sponsored by the Japanese military authorities. The Foreign Office at Tokyo maintained a “hands-off” policy with regard to the so-called Chinese autonomy movements in Manchuria. Any connection with efforts made during November to place Hsuan Tung, the former Manchu boy-Emperor, at the head of a united Manchurian government, was disavowed by the Japanese government. The occupation of Chinchow and Harbin by February, however, brought the remaining opposition centers under Japanese military control, and was followed in March by the establishment of a unified Manchurian-Mongolian régime headed by Hsuan Tung.

THE NEW REGIONAL GOVERNMENTS

During the first days of the Mukden occupation, Colonel Dohihara, liaison officer for the Japanese military, was made chief military administrator of the city, acting as mayor.⁴⁹ This military administration was gradually replaced by a local Peace Preservation Committee, headed by Yuan Chin-kai, an old Chinese scholar and official, which exercised municipal authority under the direction of Japanese advisers. Attempts to transform this committee into a Fengtien provincial government were resisted by Yuan Chin-kai, although a proclamation to this effect, severing relations with Marshal Chang Hsueh-liang and the Nanking government, was issued on November 10.⁵⁰ A further reorganization of the government at Mukden was effected on December 15, when General Tsang Hsih-i formally accepted the post of governor of Fengtien province. General Tsang, who had been governor of the province under Marshal Chang Hsueh-liang, had since September 19 been under detention at a private house in Mukden, from which the Japanese transferred him directly to the

governorship.⁵¹ In addition to Tsang Hsih-i as governor, the reorganized Fengtien government included Yuan Chin-kai as supreme adviser, Chao Hsin-po as mayor of the Mukden municipality, and some ten additional Chinese heads of bureaus and commissions. The Japanese advisers numbered well over forty.⁵² A neutral observer stated that the inauguration of the new government had little effect in restoring confidence to the people of Mukden.⁵³

Independent governments, similar in character to that of Mukden, were also set up by the Japanese military authorities at Kirin and Tsitsihar. An autonomous government of Kirin province, with General Hsi Chia as governor, was proclaimed on September 27, less than a week after the Japanese occupation of Kirin city.⁵⁴ The Kirin government was directed by Japanese advisers from the first. It proved to be the most stable of the regional governments established during the early months of the Japanese occupation. Much greater difficulty was encountered at Tsitsihar, where, despite the overthrow of General Ma Chan-shan in November, the new Heilungkiang provincial government was not formally organized until January 7. The new governor was Chang Ching-hui, a former Chinese official who had been actively advocating an independence movement at Harbin since October.⁵⁵ Shortly after Chang Ching-hui's installation as Heilungkiang governor, General Ma Chan-shan was apparently won over by the Japanese, who had been endeavoring to secure his support for some time. In February, following the Japanese occupation of Harbin, Chang Ching-hui was made governor of the Harbin special district, leaving General Ma at Tsitsihar as governor of Heilungkiang. Inner Mongolia was also brought under Japanese influence during these months. General Tang Yu-lin, governor of the Jehol province, although refusing to allow the Japanese military within his area, is claimed by the Japanese to have associated himself with the Manchurian autonomy movements. Steady negotiations carried on with the Mongols by the Japanese

Japanese Foreign Office was stated to be “strictly one of non-interference in Chinese affairs. . . . It is just possible that a scheme is afoot to make Manchuria independent of the Nationalist Government, but it is not for Japan to meddle in schemes of this kind. . . .” (*Japan Weekly Chronicle*, October 8, 1931, p. 441.)

45. By the middle of October, such committees had been set up in Fushun, Fuchou, Tieling, Antung, Penhsih, Kalyuan, Changtu, Tunhua, Hsinmin, Yingkou, and Changchun. (*China Weekly Review*, October 31, 1931, p. 324-325.)

46. *Japan Weekly Chronicle*, September 24, 1931, p. 377.

47. *Ibid.*, November 19, 1931, p. 648. Interviewed by a foreign correspondent on November 14, Yuan Chin-kai declared that the Japanese controlled his government and dictated its policies, and that he would have been imprisoned had he refused to accept the post. (*New York Herald Tribune*, November 15, 1931.)

48. On December 18, the Japanese military authorities invited the foreign correspondents at Mukden to hear the first public statement of the new governor. The reception room was almost filled with Japanese advisers, hangers-on, newspaper men, and photographers. Only half a dozen Chinese were present. While making his statement, Tsang Hsih-i was flanked on right, left and rear by Japanese advisers, who escorted him out as soon as he had finished speaking. (*New York Herald Tribune*, December 19, 1931.)

49. For a list of the Chinese officials and Japanese advisers, cf. *China Weekly Review*, February 6, 1932, p. 313-314.

50. This statement added that a “revised and greatly improved budget has been adopted by the government, a new police force has been trained, a small bandit suppression army is being recruited, and apparently strenuous efforts are being made to gain the confidence of the people and restore business and living conditions to their status prior to September 18.” (*China Monthly Trade Report*, January 1, 1932, p. 22.)

51. For list of Chinese officials, cf. *Osaka Mainichi* (English edition), October 1, 1931; also *China Weekly Review*, February 6, 1932, p. 314.

52. His activities at Harbin had been frustrated by General Ting Chao, commander of the Chinese Eastern Railway guards. (*China Weekly Review*, January 2, 1932, p. 137.)

military authorities at Mukden won over a number of the princes.⁵³ Charges made by Marshal Chang Hsueh-liang, based on reports received during October from his subordinates in the field, that Mongol autonomy bands were being armed and equipped from the stores of the Mukden arsenal, were denied by the Japanese.⁵⁴

THE MANCHOUKUO GOVERNMENT

Throughout the period of the regional independence movements, reports of the formation of a united Manchuria kept recurring, especially in connection with Hsuan Tung, the last Manchu emperor. These reports became more definite early in November, when Colonel Dohihara appeared at Tientsin and visited the former emperor.⁵⁵ On November 10, in the midst of the Tientsin riots, Hsuan Tung disappeared from the Japanese concession, where he had resided since 1924, and reappeared several days later in South Manchuria under the protection of the Japanese military. Chinese reports asserted that Hsuan Tung had been escorted to Taku in a motorboat by Japanese officers, including Colonel Dohihara, and that there he had boarded a Japanese gunboat.⁵⁶ Denying these reports, the Japanese Legation at Peking in a statement of November 24 declared that owing to fear of bodily harm in the riots Hsuan Tung had escaped from Tientsin on November 10, and that he had "unexpectedly landed at Yingkou three days later," where the Japanese authorities had acceded to his request for protection.⁵⁷ Meanwhile, extensive preparations had been made for Hsuan Tung's reception at Mukden, and his enthronement as ruler of Manchuria was expected to take place on November 16.⁵⁸ Nevertheless, although Hsuan Tung's arrival at Mukden was reported on November 15, the expected establishment of a new Manchurian state did not materialize. Hsuan Tung, however, remained at Port Arthur in charge of the chief of police of the Kwantung government.

The bases for a united Manchurian-Mongolian state were laid at a conference of Chinese independence leaders, held at Mukden under the guidance of Japanese advisers on February 15-18, 1932. The conference set up a new central administration, com-

posed of the heads of the various regional Chinese governments, and appointed a committee to draft a permanent constitution. On February 18, the independence of Manchuria and Inner Mongolia was tentatively proclaimed by the newly established North-eastern Administrative Committee. The declaration was signed by Tsang Hsi-hi (Mukden), Hsi Chia (Kirin), Chang Ching-hui (Harbin), Ma Chan-shan (Tsitsihar), and two Mongolian princes, Ling Sheng and Chi Wang.^{59a} The new state of Manchoukuo came into official existence on March 1.

At an elaborate ceremony, held in Changchun on March 9, Hsuan Tung was inaugurated as Provisional Dictator (*Chin Cheng*) of the new government of Manchoukuo.⁶⁰ The Manchoukuo constitution, promulgated on March 11, places the Provisional Dictator, with his Privy Council, at the head of the state.⁶¹ Directly under him are the four principal departments—Executive, Legislative, Judicial, and Inspection. The Executive Department comprises the Cabinet and the Board of General Affairs. The Cabinet is headed by a Premier, who acts as the link between the Provisional Dictator and the various ministries. The constitution nominally invests the Dictator with practically unlimited powers. The Privy Council, however, is empowered to advise him on laws, edicts, the budget, diplomatic negotiations, appointment and dismissal of high officials, and other important state affairs. The chief officials of the government, announced on March 10, included Cheng Hsiao-hsu (Prime Minister), Ma Chan-shan (Minister of War), Hsieh Chieh-shih (Foreign Minister), Hsi Chia (Finance Minister), and Chang Ching-hui (head of the Privy Council).⁶²

The most significant feature of the Manchoukuo government is the authority exercised by its Japanese members, not only as advisers but also as officials. Representatives of all races residing in Manchuria, including Japanese, are eligible to hold office. Acting on this principle, the government announced on April 23 the appointment of four Japanese to key positions in the Ministries of Finance, Foreign Affairs and Home Affairs, and the Fengtien provincial police bureau.⁶³ In addition, the framework of the government includes a Board of General Affairs, consisting of six bureaus—accounts, personnel, purchasing, legislative, statistics, and secretariat.⁶⁴ The president of the board

53. *China Weekly Review*, October 31, 1931, p. 328.

54. *Week in China*, October 10, 1931, p. 1565; October 17, 1931, p. 1618-1619; *China Weekly Review*, October 17, 1931, p. 243-244; *New York Times*, October 8, 1931; *Christian Science Monitor*, November 12, 1931.

55. *Week in China*, November 14, 1931, p. 1947.

56. *Ibid.*, p. 1906-1907; and *Japan Weekly Chronicle*, November 26, 1931, p. 671.

57. *Week in China*, November 28, 1931, p. 2050. On November 14 the Japanese Foreign Office informed the press that it was the concern of the Chinese if they wanted Hsuan Tung to be the ruler of Manchuria. Japan did not intend to restrict his movements, it was added, and now that he was outside the protection of the Japanese concession at Tientsin he was free to go where he pleased. (*New York Herald Tribune*, November 14, 1931.)

58. *Week in China*, November 14, 1931, p. 1906.

59a. *New York Times*, February 19, 1932.

60. *Manchuria Daily News* (Monthly Supplement), April 1, 1932, p. 8. Changchun was renamed Hsinking (New Capital). The Chinese term *Chin Cheng* means "Dictator." It has been variously interpreted as Regent and Chief Executive, apparently to permit the transformation of Manchoukuo into either a monarchy or a republic.

61. Text supplied by South Manchuria Railway Company, New York, N. Y. Cf. also *New York Times*, May 8, 1932.

62. *Manchuria Daily News* (Monthly Supplement), April 1, 1932, p. 8.

63. *New York Herald Tribune*, April 23, 1932.

64. *New York Times*, May 8, 1932.

and the chief of each bureau is a Japanese. This board prepares the budget and wields the power of dismissal, thus having final control over policy. It occupies a position in the Executive Department equal to that of the Cabinet. By virtue of its budgetary and dismissal powers, however, it is not only the predominant partner in the Executive Department but the sovereign authority in the government. The Finance Department does not draft the budget, but merely collects and disburses revenue. The various ministries function on the basis of their budgetary appropriations, and are consequently dependent on the Board of General Affairs, particularly since the latter is able to dismiss recalcitrant ministers or officials.

POLICIES OF THE NEW GOVERNMENT

The Manchoukuo régime has assumed the entire administrative authority exercised by the former Manchurian government. All political and economic rights and obligations of the old government are claimed to have devolved upon the new. Thus, control of the customs, salt gabelle, and post offices in Manchuria has been taken over by Manchoukuo appointees.⁶⁵ At the same time, the foreign loans hypothecated in part on the Manchurian customs and salt revenues have been recognized, and arrangements have been made to transfer the requisite sums to the Nationalist authorities in China. Whatever surplus may exist, however, is retained by the Manchoukuo government. The far-reaching economic reorganization carried out by the new Manchurian authorities, which is designed to bring the principal railways, banking and industrial enterprises, and public utilities under government control, reveals how complete their assumption of administrative authority has been.⁶⁶ Fiscal reforms under consideration include currency unification and stabilization, tax reduction, and strict budgetary accounting. The extent to which Manchoukuo will require financial assistance from Japan is still uncertain.

The most distinctive policy of the new

régime has been its attempt to secure foreign recognition as an autonomous state, independent of China. In pursuance of this aim, Foreign Minister Hsieh Chieh-shih sent a telegram on March 12 to the Foreign Ministers of seventeen countries having consular representatives in Manchuria. This telegram announced the formation, on March 1, 1932, of an independent Manchurian state, established by the "people of Manchoukuo, taking the opportunity of the collapse of the old military clan." After enunciating seven principles by which Manchoukuo's foreign policy would be guided, including those of respect for the "open door" and for the treaty obligations of the Chinese Republic, the telegram concluded with a request for the establishment of formal relations.⁶⁷

No foreign government, however, has yet recognized the Manchoukuo régime. The United States had formally notified Japan on January 7 that it would not recognize any situation which might impair treaty rights guaranteed by international agreements involving China's territorial and administrative integrity or the open door policy, or which might be brought about by means contrary to the Anti-War Pact.⁶⁸ Similar action was taken by the League Assembly in its resolution of March 11, declaring it incumbent upon League members not to recognize any situation brought about by means contrary to the League Covenant and the Kellogg Pact.⁶⁹ As a result, the United States and Great Britain refused to acknowledge receipt of the Manchoukuo government's communication, and this general attitude has been adopted by other Western powers. The Japanese government, while acknowledging the Manchoukuo note of March 12 and welcoming the expressed respect for China's treaty obligations and the open door policy, made no reference to recognition in its reply. On June 2 Premier Saito stated: "Japan's recognition of Manchoukuo must depend on the usual conditions for recognition of a new State, including proved capacity to maintain itself as such."⁷⁰

ECONOMIC REORGANIZATION OF MANCHURIA

Parallel with the evolution of the new state, a drastic reorganization of the financial and economic institutions of Manchuria has been effected. Prior to September 1931, the economic life of Manchuria was characterized by a cleavage along national lines. Industrial and financial institutions, especially in South Manchuria, were partly controlled by China and partly by Japan. Competing Chinese and Japanese railways, banks, pub-

lic utilities, and mining and industrial enterprises were the rule rather than the exception. The new program is broadly directed toward the consolidation of Chinese and Japanese economic institutions under the control of the Manchoukuo government. In carrying out this program, many Chinese-owned institutions, both public and private, have been taken over by the new régime and placed under Japanese supervision.

65. Cf. *China Monthly Trade Report*, May 1, 1932, p. 8.

66. Cf. p. 96-98.

67. From summary given in *Manchuria Daily News* (Monthly Supplement), April 1, 1932, p. 9.

68. State Department, *Press Releases*, January 9, 1932, p. 41-42.

69. Special Session of the League Assembly, Fourth Plenary Meeting, March 11, 1932, p. 1.

70. *New York Times*, June 3, 1932.

BANKS

The two principal banking institutions of the former Manchurian government, the Frontier Bank and the Bank of the Three Eastern Provinces, were both located at Mukden. For several weeks following the Japanese occupation, these two banks were closed and their affairs subjected to a thorough examination by Japanese inspectors.⁷¹ On October 15 they were allowed to reopen, each being placed under the direction of a Japanese governor and eight Japanese assistants. Although private deposits were in general recognized, the chief assets of these banks, consisting of large sums deposited by officials of the former government, have been reserved for the use of the Manchoukuo government. Aside from Chinese protests that the action thus taken represents confiscation of private funds, this policy has also occasioned considerable complaint from foreign firms operating in Manchuria which are owed varying amounts by the former government. As a result of diplomatic protests to the Japanese government, including those made by Ambassador Forbes, the Tokyo authorities have declared that all legitimate foreign claims will be honored.⁷²

A preliminary scheme of banking and currency unification has been formulated by the new Manchurian administration. A new central bank is to be set up with a capital of \$30,000,000 silver and a bullion reserve of \$10,000,000 silver. It is also planned to replace the various local and provincial currencies with the silver dollar current in South Manchuria.⁷³

RAILWAYS

Prior to the Japanese occupation, some 1,800 miles of Manchurian railways were owned and operated by Marshal Chang Hsueh-liang's government. Of these, approximately 600 miles had been constructed with Japanese funds which had mostly gone unpaid, and the remainder largely with Chinese capital. In the railway reorganization effected since the occupation, the lines constructed with Japanese capital have been taken over by the South Manchuria Railway Company virtually on the basis of an international foreclosure.⁷⁴ Of the lines constructed with Chinese capital, several have suffered damage and have not been repaired, while the rest have become adjuncts of the South Manchuria Railway. Japanese advisers, exerting final control over the operation of the lines, have been placed in all the

railway offices. Eventually it is planned to place the Chinese railways under the control of the new Manchurian administration.⁷⁵

In South Manchuria, the reorganization thus effected has removed the threat to the supremacy of Dairen caused by the developing Chinese railway net based on the ports of Newchwang and Hulutao.⁷⁶ The operation of the Tahushan-Tungliao line has been completely interrupted, while the Kirin-Mukden line has been made a feeder to the South Manchuria Railway. In central Manchuria, the Japanese are taking steps to achieve their objective of establishing a new railway approach from Korea. The Changchun-Kirin and Kirin-Tunhua lines have been amalgamated under a centralized Japanese control, and the construction of the long-projected extension to Huining (on the Korean border), which the Chinese authorities had opposed, is expected to be completed during the summer of 1932.⁷⁷ In north Manchuria, the Manchoukuo government has placed its own appointees on the governing board of the Chinese Eastern Railway, which is under joint Sino-Russian control.⁷⁸

PUBLIC UTILITIES

Public utility enterprises in Manchuria, comprising telephone, telegraph and electric systems, which, prior to the Japanese occupation, were predominantly Chinese-controlled, are now for the most part under Japanese supervision.⁷⁹ This change has been effected either by the installation of Japanese advisers in former Chinese institutions or by the amalgamation of previously competitive Chinese and Japanese concerns. At Mukden a newly constructed Chinese electric light plant has been connected with the Japanese-owned power plant at Fushun and is operating under Japanese management. Changes of a similar nature are occurring in the status of the sixty or more Chinese electrical plants in other sections of Manchuria.

The local Chinese telephone and telegraph systems in the Manchurian cities have been connected with previously competing Japanese systems and placed under Japanese supervision. The long-distance Chinese systems, however, have been completely shut down. Long-distance telephone calls must be placed through the Japanese switchboards, and telegrams destined for China or other countries are transmitted only by the Imperial Japanese Telegraphs. Three powerful radio stations, erected at Mukden by the former Chinese government, were occupied

75. *Ibid.*, April 1, 1932, p. 11.

76. *Ibid.*, January 1, 1932, p. 25-26; also *China Weekly Review*, November 7, 1931, p. 375.

77. *New York Times*, May 1, 1932.

78. *Ibid.*, May 22, 1932.

79. *China Monthly Trade Report*, March 1, 1932, p. 15-16; *China Weekly Review*, January 2, 1932, p. 135-136; *New York Times*, December 22, 1931.

71. *China Monthly Trade Report*, October 1, 1931, p. 36; November 1, 1931, p. 11-12; also *New York Times*, December 22, 1931.

72. *New York Times*, December 28, 1931; *New York Herald Tribune*, December 29, 1931.

73. *China Monthly Trade Report*, April 1, 1932, p. 11.

74. *Ibid.*, March 1, 1931, p. 15-16.

by the Japanese military after September 18. One of these—a military station—was entirely destroyed by a fire of unknown origin in November. The Sino-American station reopened under Japanese control on April 15, and the Sino-German station is expected to resume operations shortly under the same conditions.

INDUSTRIAL ENTERPRISES

Many of the important Chinese-owned mining and industrial concerns in Manchuria have been either shut down or are being operated under Japanese control.⁸⁰ The Fuchowwan coal mine, the largest Chinese-owned enterprise of its kind in Manchuria, was forcibly taken over by the Japanese military and is now directly operated by Japanese. The Chinese officials of the Penhsiho coal mine, formerly a joint Sino-Japanese

enterprise, have been ousted and management vested solely in Japanese hands. The Tungfa Coal Company, a Chinese distributing agency, now operates under Japanese advisers and handles only Japanese-produced coal.

The Mukden Cotton Mill, previously owned and operated by Chinese, was closed for a considerable period and then reopened under Japanese supervision. Li Da and Company, an important Chinese enterprise owned by the Bank of the Three Eastern Provinces, which functioned as an agent of the bank in the export of Chinese products, has been placed under complete Japanese control. Promising advances made by the Chinese authorities in utilizing the arsenal plants at Mukden for productive industrial activities have been halted since September 18, when a number of the Chinese workmen were killed and the rest scattered.

CONCLUSION

The new political alignment within Japan constitutes the decisive factor in future Manchurian developments. Present indications point toward the consolidation of a Fascist-military dictatorship, perhaps retaining the forms of parliamentary government, but ruling in the interests of the lower middle class and peasant elements of Japan. Under this régime, the Japanese hold on Manchuria will be strengthened, and a sustained effort will be made to bind Manchuria and Japan together into a self-sufficient economic unit. At the first sign of serious foreign pressure, the new leaders may attempt to secure Japan's withdrawal from the League of Nations. Losses incurred by this "back to Asia" policy, either in trade with China or in possible international political isolation, will be discounted in the effort to push their program through to success. The economic feasibility of a self-contained Japanese empire, in view of the proved unwillingness of the Japanese farmer to colonize the Asiatic mainland, except at the cost of a subsidy which would be prohibitive, is questionable. In any case, the immediate economic benefits to be derived from Manchuria are certain to prove disappointing. In this situation, under the spur of continued economic distress, the internal political struggle may be fought to an uncompromising conclusion over the issue of socializing Japanese finance and industry.

Pending the outcome of this struggle, Japan confronts formidable difficulties in its

attempt to consolidate the Manchoukuo régime. Foremost among these is the hostile attitude of the overwhelmingly Chinese population of Manchuria. Chinese loyalist forces continue to maintain a stubborn resistance, especially in Heilungkiang province, which offers unique advantages for a type of guerrilla warfare exceedingly difficult to overcome. The appropriation of nearly \$65,000,000, passed by the Japanese Diet in June to cover expenditures for a further seven-months' campaign in Manchuria, indicates the seriousness with which the Japanese military authorities view this problem. Should armed opposition be suppressed, it would undoubtedly give way to a passive resistance even more difficult to handle. In the second place, the anti-Japanese boycott in China proper, which has greatly reduced Japanese exports to China during the past year, will continue to menace Japanese financial stability through its adverse effect on Japan's balance of trade. These commercial losses must be added to the expenses of the Manchurian campaign in order to estimate the full burden imposed on the Japanese budget by a continued occupation of Manchuria. Finally, the refusal of the Western powers to recognize the Manchoukuo government is likely to nullify efforts to legalize its international status. This problem will again be brought to the fore when the League Commission of Inquiry presents its report in the autumn of 1932.

80. *China Weekly Review*, January 2, 1932, p. 135; December 26, 1931, p. 118; *New York Times*, December 22, 1931.